

Internal Revenue Service

Department of the Treasury

District  
Director

Date: FEB 18 1988

Person to Contact:

Contact Telephone Number:

Refer Reply to:

CERTIFIED MAIL

Dear Applicant:

We have considered your application for tax-exempt status under section 501(c)(3) of the Internal Revenue Code.

The information presented by your organization disclosed that you were incorporated on [REDACTED] in the State of [REDACTED].

The purposes for which the corporation was formed are as follows:

The corporation is organized and at all times shall be operated exclusively for charitable and educational purposes for the publication of a newsletter and other publications to disseminate civic, social, business and other news and information and to otherwise serve the welfare and best interests of the [REDACTED] community and for such other purposes as are permitted of non-profit corporations under the laws of the State of [REDACTED].

Section 501(c)(3) of the Code provides, in part, for the exemption from Federal income tax of organizations organized and operated exclusively for charitable, religious, scientific or educational purposes, no part of the net earnings of which inures to the benefit of any private shareholder or individual.

In order to qualify under IRC 501(c)(3), an organization must be both "organized" and "operated" exclusively for one or more purposes specified in that section. If the organization fails to meet either the organizational test or the operational test, it is not exempt. (Regs. 1.501(c)(3)-1(a)(1)). The organizational test relates to the rules for governing an organization and the purposes stated in its articles of organization. The operational test relates to the organization's activities.

Section 1.501(c)(3)-1(c)(1) of the Regulations states that if more than an insubstantial part of an organization's activities is not in furtherance of exempt purposes, the organization will not be regarded as exempt.

The information submitted with your Application 1023 indicated that your organization will publish and distribute a newspaper to the residents of [REDACTED]. The paper will be delivered free of charge. The sole support of the organization is the revenue generated from the sale of advertising space in the newspaper.

Regulations Section 1.501(c)(3)-1(e)(1) states that an organization may meet the requirements of section 501(c)(3) although it operates a trade or business as a substantial part of its' activities, if the operation of such trade or business is in furtherance of the exempt purposes and if the organization is not organized or operated for the primary purpose of carrying on an unrelated trade or business.

An average of [REDACTED]% of each page of your newspaper is allocated for advertising space. Advertising is a substantial part of your activities and is not in furtherance of your exempt purposes.

Your organization receives no contributions or grants. It appears that your organization is carrying on a trade or business as a substantial part of your activities.

Section 1.501(c)(3)-1(d)(1)(ii) of the Regulations provides, in part, that an organization is not organized or operated exclusively for one or more of the purposes mentioned in section 501(c)(3) of the Code unless it serves a public rather than a private interest. An organization may not be exempt if it is operated for the benefit of private individuals.

Accordingly, we conclude that you do not meet the requirements for exempt status under section 501(c)(3) of the Code and propose to deny your request for exemption under that section.

We have also determined that you fail to qualify for exempt status under any other subsection of IRC 501(c).

You are required to file a taxable return Form 1120 or 1041 with the District Director of Internal Revenue Service. Please send the return to the Internal Revenue Service, P.O. Box 1680, General Post Office, Brooklyn, NY 11202.

Contributions made to you are not deductible by the donors as charitable contributions as defined in section 170(c) of the Code.

If you do not agree with this determination, you may request a Conference with the Regional Director of Appeals by protesting in accordance with the enclosed instructions within 30 days.

Protests submitted which do not contain all the documentation stated in the instructions will be returned for completion.

If we do not hear from you within that time this determination will be considered final and the appropriate State Officials will be notified.

If you do not protest this proposed determination in a timely manner, it will be considered by the Internal Revenue Service as a failure to exhaust available administrative remedies. Section 7428(h)(2) of the Internal Revenue Code provides in part that "A declaratory judgment or decree under this section shall not be issued in any proceeding unless the Tax Court, the Claims Court, or the district court of the United States for the District of Columbia determines that the organization involved has exhausted administrative remedies available to it within the Internal Revenue Service."

Sincerely yours,

A solid black rectangular box used to redact the signature of the District Director.

District Director

cc:

A solid black rectangular box used to redact the list of recipients for the carbon copy (cc).

Enclosure: Publication 892